

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE
SERVICES PUBLIC AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2012

COUNTY OF SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of San Diego In-Home Supportive Services Public Authority
San Diego, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the County of San Diego In-Home Supportive Services Public Authority ("Authority"), a component unit of the County of San Diego, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Authority as of June 30, 2012, and the respective change in financial position and the budgetary comparison of the San Diego In-Home Supportive Services Public Authority Special Revenue Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2011, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment GASB Statement No. 53*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
November 14, 2012

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Equity in cash and pooled investments	\$ 713,247	\$ 300,615
Interest receivable	1,166	1,461
Accounts receivable	<u>147,276</u>	<u>67,143</u>
<u>TOTAL ASSETS</u>	<u>861,689</u>	<u>369,219</u>
<u>LIABILITIES</u>		
Accounts payable	91,190	73,302
Accrued payroll	97,070	80,858
Due to County of San Diego	684,702	210,447
Compensated absences	<u>120,294</u>	<u>134,760</u>
<u>TOTAL LIABILITIES</u>	<u>993,256</u>	<u>499,367</u>
<u>NET ASSETS (DEFICIT)</u>		
Unrestricted	<u>(131,567)</u>	<u>(130,148)</u>
<u>TOTAL NET ASSETS (DEFICIT)</u>	<u>\$ (131,567)</u>	<u>\$ (130,148)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	2011
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants		
Governmental Activities:						
In-Home Supportive Services	\$ 13,081,357	\$ -	\$ -	\$ -	\$ (13,081,357)	\$ 12,376,396
Total governmental activities	<u>\$ 13,081,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(13,081,357)</u>	<u>12,376,396</u>
General Revenues:						
Unrestricted investment earnings					9,166	8,519
Transfers from County of San Diego					<u>13,070,772</u>	<u>12,331,323</u>
Total general revenues and transfers					<u>13,079,938</u>	<u>12,339,842</u>
Change in net assets					(1,419)	(36,554)
Net assets at beginning of fiscal year					<u>(130,148)</u>	<u>(93,594)</u>
Net assets at end of fiscal year					<u>\$ (131,567)</u>	<u>\$ (130,148)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
BALANCE SHEET
JUNE 30, 2012
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2011

	<u>IHSS Public Authority Special Revenue Fund</u>	
	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Equity in cash and pooled investments	\$ 713,247	\$ 300,615
Interest receivable	1,166	1,461
Accounts receivable	<u>147,276</u>	<u>67,143</u>
<u>TOTAL ASSETS</u>	<u>\$ 861,689</u>	<u>\$ 369,219</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 91,190	\$ 73,302
Accrued payroll	97,070	80,858
Due to County of San Diego	684,702	210,447
Compensated absences	<u>120,294</u>	<u>134,760</u>
<u>TOTAL LIABILITIES</u>	<u>993,256</u>	<u>499,367</u>
<u>FUND BALANCE (DEFICIT)</u>		
Unassigned	<u>(131,567)</u>	<u>(130,148)</u>
<u>TOTAL FUND BALANCE (DEFICIT)</u>	<u>(131,567)</u>	<u>(130,148)</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 861,689</u>	<u>\$ 369,219</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>IHSS Public Authority Special Revenue Fund</u>	
	<u>2012</u>	<u>2011</u>
<u>REVENUES</u>		
Investment income	\$ 9,166	\$ 8,519
<u>TOTAL REVENUES</u>	<u>9,166</u>	<u>8,519</u>
<u>EXPENDITURES</u>		
Administrative costs	2,581,134	2,771,596
Operating costs	1,661,974	746,085
Consulting services	8,838,249	8,858,715
<u>TOTAL EXPENDITURES</u>	<u>13,081,357</u>	<u>12,376,396</u>
<u>EXCESS OF REVENUE OVER (UNDER)</u>		
<u>EXPENDITURES</u>	<u>(13,072,191)</u>	<u>(12,367,877)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers in from County of San Diego	13,070,772	12,331,323
<u>TOTAL OTHER FINANCING SOURCES</u>		
<u>(USES)</u>	<u>13,070,772</u>	<u>12,331,323</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(1,419)</u>	<u>(36,554)</u>
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(130,148)</u>	<u>(93,594)</u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (131,567)</u>	<u>\$ (130,148)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – IHSS PUBLIC AUTHORITY SPECIAL REVENUE
FUND – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	IHSS Public Authority Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<u>REVENUES</u>				
Investment income	\$ -	\$ -	\$ 9,166	\$ 9,166
<u>TOTAL REVENUES</u>			9,166	9,166
<u>EXPENDITURES</u>				
In-Home Supportive Services	13,799,180	13,799,180	13,081,357	717,823
<u>TOTAL EXPENDITURES</u>	13,799,180	13,799,180	13,081,357	717,823
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(13,799,180)	(13,799,180)	(13,072,191)	726,989
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in from County of San Diego	13,799,180	13,799,180	13,070,772	(728,408)
<u>NET CHANGE IN FUND BALANCE</u>			(1,419)	(1,419)
Fund Balance (Deficit), Beginning of Fiscal Year	(130,148)	(130,148)	(130,148)	
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (130,148)</u>	<u>\$ (130,148)</u>	<u>\$ (131,567)</u>	<u>\$ (1,419)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Financial Reporting Entity

The accompanying financial statements report on the financial activities of the San Diego In-Home Supportive Services Public Authority ("Authority"). In response to a 1999 State mandate requiring the establishment of an employer of record for the In-Home Supportive Services program, the Board of Supervisors approved appropriations and established an operating fund for the Public Authority for the implementation activities and operating expenses. The Authority is a public entity separate from the County of San Diego ("County"). The Authority is a corporate public body exercising public and essential governmental functions, and it has all powers necessary and convenient to carry out its required responsibilities. The Authority's financial statements are also included in the County's Comprehensive Annual Financial Report ("CAFR"). The reason for including the Authority in the CAFR is the exercise of oversight responsibility over the Authority's activities by the County Board of Supervisors who also acts as the Authority's Governing Body.

B. Basis of Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. The implementation of GASB Statement No. 34 required the Authority to present a Management's Discussion and Analysis (MD&A) and two additional statements: Statement of Net Assets and Statement of Activities. An analysis of activities of the Authority is discussed in the MD&A. The Statement of Net Assets and Statement of Activities are government-wide statements that present the Authority's assets, liabilities, revenues, and expenses using the economic resources focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e. both measurable and available. "Available" means collectible within the current period or within 30 days after the year-end. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

C. Related Party Transactions

The majority of the Authority's transactions are between the Authority and the related party, the County of San Diego. The County of San Diego, by agreement, operates the Authority. The Board of Supervisors of the County is also the governing body of the Authority.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Accounting

Budgets are adopted on a basis consistent with the accounting principles generally accepted in the United States of America (USGAAP). Formal budgetary integration is employed as a management control device.

E. Comparative Date

Comparative total data for the prior fiscal year has been presented in certain statements of the accompanying financial statements, in order to provide an understanding of changes in the Authority's financial position and operations.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the related reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

G. Net Assets and Fund Balance

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include debt service requirements.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how to specific amounts can be spent.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets and Fund Balance (Continued)

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned fund balance – the residual classification for the Authority's funds that include amounts not contained in the other classification.

The Authority establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the fiscal year.

In order to retain a stable financial base, the Authority needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows of the Authority and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

However, the Authority did not adopt any policy to maintain a fixed level of financial resources to protect against reducing services levels and fees because of temporary shortfalls or unpredicted one-time expenditures.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements

GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment GASB Statement No. 53

For the fiscal year ended June 30, 2012, the Authority implemented GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment GASB Statement No. 53". The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement set forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 EQUITY IN CASH AND POOLED INVESTMENTS

The San Diego In-Home Supportive Services Public Authority's cash is included in the County's balance sheet as "Equity in Cash and Pooled Investments". The County maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Further disclosures regarding the County's cash and investments are included in the Notes of the County's fiscal year ended June 30, 2012 Comprehensive Annual Financial Report.

NOTE 3 COMPENSATED ABSENCES

The San Diego In-Home Supportive Services Public Authority accrues accumulated vacation due to its employees and upon termination of employment; employees will be paid for unused vacation time that has been earned through the last day of work. The total amount due at June 30, 2012 is \$120,294. The Authority estimates that the compensated absences will be taken/paid within the next fiscal year.

NOTE 4 PUBLIC AUTHORITY EMPLOYEES RETIREMENT PLAN (DEFINED CONTRIBUTION PENSION PLAN)

The County of San Diego In-Home Supportive Services Public Authority Money Purchase Plan began on July 1, 2002.

Plan Description

General – The San Diego In-Home Supportive Services Public Authority Employee Retirement Plan ("Plan") is administered by a private administrator. The Authority's Plan is a defined contribution plan covering all qualified employees of the Authority. Entry into the Plan is made on the first day of employment after meeting the eligibility requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 PUBLIC AUTHORITY EMPLOYEES RETIREMENT PLAN (DEFINED CONTRIBUTION PENSION PLAN) (Continued)

Contributions – Each year the Authority contributes to the Plan, for qualified enrolled employees, 8.0% of those employees' gross wages. For the fiscal year ended June 30, 2012 the Authority contributed \$172,371.

Participant Accounts – Each participant's account is credited with the Authority's contribution, and an allocation of Plan earnings. The benefit to which a participant is entitled to is the benefit that can be provided from the participant's account.

Vesting – Vesting is based on years of service. A participant is 20% vested after one year but less than two years of credited service and vests an additional 20% for every year of service thereafter. A participant is fully vested after five years of service.

Payment of Benefits – Upon termination of service, a participant may elect to receive either a lump sum distribution equal to the value of his or her account or an annuity.

NOTE 5 ACCOUNTS RECEIVABLE DUE FROM PROVIDERS AND FORMER PROVIDERS

During the fiscal year 2011-12, the Health Benefit department has collected \$227 and written-off \$2,979 for the accounts receivable aging over 3 years. As of June 30, 2012, there is an outstanding account receivable totaled \$1,576. The Authority is expected to write-off the entire amount in fiscal year 2012-13 upon the approval of the Auditor and Controller of County of San Diego, California. The Authority has not included a receivable on its financial statements as most of the balance is considered uncollectible. Any payments received are recorded as an offset to operating costs.

NOTE 6 MEMORANDUM OF UNDERSTANDING WITH THE UNITED DOMESTIC WORKERS OF AMERICA, AFSCME, AFL-CIO

On July 7, 2009, the Authority signed a Memorandum of Understanding (MOU) with the United Domestic Workers of America (Union) with terms and conditions of employment for the IHSS Individual Providers. The Union is responsible for administration of health benefits, which includes the formation of a Union Health Care Trust Fund. The Authority is required to provide up to \$8,784,000 annually to the Union Health Care Trust Fund. This amount is included in the consulting services expenditure line item on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 7 DEFERRED COMPENSATION PLAN

457 Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to full-time employees. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

SAN DIEGO IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 DEFERRED COMPENSATION PLAN (Continued)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (MetLife) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457(g). Accordingly, these assets have been excluded from the Authority's Comprehensive Annual Financial Report.

NOTE 8 FINANCIAL CONDITION

The Authority has a deficit in net assets of \$131,567 as of June 30, 2012. The Authority projects that future contributions from the County of San Diego's General Fund will be sufficient to support the Authority's operations.

NOTE 9 MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available for issuance which is November 14, 2012.